

Message Text

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21

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 OES-03 IGA-01 AID-05 /082 W

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R 110733Z MAR 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 955

INFO AMEMBASSY LONDON

C O N F I D E N T I A L MUSCAT 299

E.O. 11652: GDS

TAGS: EFIN, ECON, MU

SUBJECT: OMANI FINANCES

REF: MUSCAT 255

1. THOUGH NOTHING HAS BEEN ANNOUNCED, SEVERAL INFORMED SOURCES HERE SAY JOHN TOWNSEND HAD HIS SIGNATURE AND OTHER FINANCIAL ADVISORY RESPONSIBILITIES REMOVED ABOUT TENCEDAYS AGO. HE CONTINUES TO FUNCTION AS ECONOMIC ADVISOR TO SULTANATE (THOUGH CURRENTLY ON WEEK'S TRIP ABROAD). MOST LOCAL SOURCES, INCLUDING BANKERS, CONSIDER TOWNSEND HAS BEEN MADE SCAPEGOAT IN CURRENT CASH CRISIS.

2. WE UNDERSTAND OMANGOV CURRENTLY IN HOCK TO BBME FOR AS MUCH AS DOLS 150-200 MILLION, WHICH BBME HOPES FULLY TO RECOVER BY END OF APRIL WHEN SUBSTANTIAL OIL PAYMENTS SCHEDULED TO ACCRUE TO GOVT.

3. COMMENTS MADE TO US THIS WEEK BY VISITNG BIGWIGS FROM GRINDLAYS BANK PROBABLY ARE TYPICAL OF LOCAL COMMERCIAL BANK ATTITUDES AT THIS STAGE. THEY SAID THAT IN FACE OF CURRENT UNCERTAINTY SURROUNDING OMANGOV FINANCES, THEY HAVE ADOPTED VERY CAUTIOUS LENDING POLICY WITH RESPECT EVEN TO REGULAR LOCAL COMMERCIAL CUSTOMERS. THEY EXPECT TO MAINTAIN THIS
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POSTURE UNTIL THEY SEE TANGIBLE EVIDENCE THAT OMANGOV HAS TAKEN

POSITIVE STEPS TO BRING ITS EXPENDITURES AND REVENUES INTO
BALANCE AND TO IMPROVE FUNDS CONTROL PROCEDURES. SO FAR THEY
SEE NO INDICATION THIS IS BEING DONE.

4. WE WOULD APPRECIATE FEEDBACK FROM DEPT ON REACTION OF
CHASE MANHATTAN BANK MANAGEMENT TO FINDINGS OF PHILPOT AND
SAMBAR, AND ON JUST WHAT SORT OF CONTINUING ROLE, IF ANY,
CHASE INTENDS TO PLAY WITH RESPECT TO OMANI FINANCES.
WOLLE

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